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ROYAL TRUST ANNUAL REPORT 1968

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ROYAL TRUST ANNUAL REPORT 1968

The 69th Annual Report of The Royal Trust Company for the year ended 31st December, 1968

(Consolidated Operations)

Presented to
the 69th annual general meeting of
the company's shareholders at Montreal,
Wednesday the 26th day of February, 1969

Highlights

	1968	1967
Gross Income	$ **82,635,000**	$ 65,980,000
Net Operating Profit	$ **4,674,000**	$ 3,970,000
Profit per share	$ **1.42**	$ 1.26
Companies' and Guaranteed Account Assets	**$1,086,162,000**	$ 756,243,000
Estimated Value of Assets Under Administration	**$8,859,000,000**	$8,271,000,000

Report of the President to the Shareholders

Mr. Chairman, Ladies and Gentlemen,

It is my privilege to present to you today, on behalf of the Board of Directors, the Consolidated Financial Statements of the Company as at 31st December last, and, with Mr. White, the Executive Vice-President, who will supplement my remarks, to report to you on the Company's operations during 1968.

While it is true that the Centennial Year and the tremendous enthusiasm generated by Expo were fading into the past, by no stretch of the imagination could one detect any slackening in the tempo of affairs political, financial or social, in Canada or abroad. Once again this Company was confronted with enormous challenges and, once again, I can tell you that we faced most of them successfully and continued to make good progress in the activities with which we are principally concerned.

We have invited to this meeting members of the Halifax, Saint John (N.B.), London (Ontario) and Regina Advisory Boards, certain Officers and Directors of our latest acquisition, The Industrial Mortgage and Trust Company, and a number of out-of-town Senior Officers and Managers. I hope it will be possible for you to meet them, and on your behalf I welcome them all warmly.

Directors

Owing to the provision in the 1967 revision of the Bank Act that a person cannot simultaneously be a Director of a chartered bank and a trust company after 31st December, 1969, many of our Directors have been faced with the decision of retiring either from our Board or from that of a bank.

At our Annual Meeting last year I expressed the strong view that this is an unnecessary and undesirable provision, but nevertheless it is the law. It is not too surprising that the banking, commercial and other ties of the companies represented by many of these gentlemen have been factors that have induced most of them to resign from the Trust Company's Board.

It is therefore with great regret that I record the resignation from our Board during 1968 of the following :—

Ralph B. Brenan, a Director since 1965
Howard J. Lang, a Director since 1965
H. C. F. Mockridge, Q.C., a Director since 1949.

To fill these vacancies your Directors appointed G. Drummond Birks, Vice-President of Henry Birks & Sons Ltd., Montreal ; Henry Collingwood, President of Baine, Johnston & Co. Ltd., St. John's, Newfoundland, and Frederick W. P. Jones, Professor, The University of Western Ontario School of Business Administration, London, Ontario.

You will appreciate that to effect an orderly transition, it is not desirable for all our bank Directors to retire simultaneously, and with great consideration all those others who intend to resign have submitted their resignations to take effect at the pleasure of the Board. As the usual term for Directors who are elected today is until the next Annual Meeting, we feel it is appropriate that most of our bank Directors, who would in any event be resigning from our Board before the end of the year, should not stand for re-election. The following gentlemen, therefore, whose resignations have been tendered and accepted with much regret, will not be nominated later in the meeting :—

N. R. Crump, a Director since 1960
T. W. Eadie, a Director since 1961 and Member of the Executive Committee since 1964
H. M. Griffith, a Director since 1967
Leonard Hynes, a Director since 1964
A. C. Jensen, a Director since 1959
L. A. Lapointe, a Director since 1964
H. T. Mitchell, a Director since 1964
T. R. McLagan, a Director since 1952
D. R. McMaster, a Director since 1961
A. L. Penhale, a Director since 1966
L. G. Rolland, a Director since 1956

The gentlemen whose names I have just mentioned have rendered a total of 85 years' service to our Company – a demonstration of support for which we can never adequately thank them. While it is no longer possible for them to retain official membership in the Royal Trust family, we will always regard them as very close friends.

The effect of these resignations will be to reduce the size of the Board, for the time being at least, from 37 to 25.

Honorary Directors

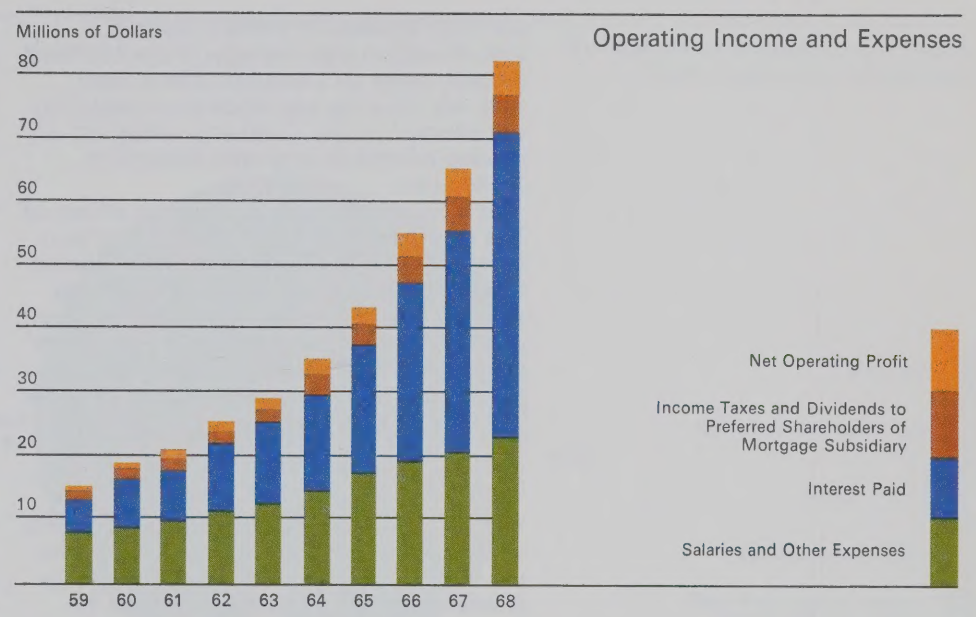
I should record a number of changes among our Honorary Directors. Under the Company's by-laws, Charles P. Fell is not eligible for re-election as a Director, but fortunately has agreed to be nominated as an Honorary Director. In addition, I am very pleased to say that Thomas W. Eadie, although resigning from our Executive Committee and as a Director, will be proposed as an Honorary Director. Last May we suffered the loss of an Honorary Director, Frederick Johnson. I must also note with great regret the death on 28th January, 1969 of R. J. Dinning, an Honorary Director, member of our Edmonton Advisory Board and former member of our Calgary Board. In addition, we are very sorry that for reasons of health our former Vice-President and Counsel, Shirley G. Dixon, Q.C., will not stand for nomination again.

Advisory Boards

There have been a number of changes in the composition of our Advisory Boards since our last Annual Meeting. First of all, I must record with great regret the deaths of Alban M. Murphy, a member of our Halifax Board since 1946, and William P. Walker, O.B.E., a member of our Toronto Board since 1958.

In London, Ontario, our Board was enlarged to reflect the merger of The Ontario Loan and Debenture Company. Messrs. Mackenzie F. Bell, George H. Belton, David M. Gunn and Kenneth J. Shea, all former Directors of Ontario Loan, joined the Board, as well as Donald H. Anderson of St. Thomas. I am very sorry to report the resignation from the London Board of Colonel Douglas B. Weldon, M.C., a member since the Board's inception in 1951 and its Chairman since 1967. We are most indebted to Colonel Weldon for the very substantial contribution he has made to our Company.

There have been a number of resignations from our various Advisory Boards. First of all, our very good friend, A. L. Penhale, who served not only as a Director, but also as Chairman of the Sherbrooke Advisory Board



and as a member of the Quebec Board; Sir Leonard Outerbridge, C.C., from our St. John's, Newfoundland Board; A. Gordon Cooper, Q.C., from our Halifax Board on his appointment to the Bench; Maurice Lemelin from our Quebec Board, and we regret his subsequent death on 7th January, 1969; Messrs. H. L. McKay, Hon. James A. Richardson and Stewart A. Searle, Sr., from our Winnipeg Board; and J. Buckley Jones from our Calgary Board. To these gentlemen, we extend our grateful thanks for their help and assistance over the years.

To fill these and other vacancies your Directors made the following appointments: Charles R. Bell, to the St. John's, Newfoundland Board; Pierre Côté and Georges Demers, to the Quebec Board; Brigadier Jean P. Gautier, D.S.O., to the Sherbrooke Board; Stanley M. Davison, J. Derek Riley, C.A., and Stewart A. Searle, Jr., to the Winnipeg Board; Hartland M. MacDougall, to the Calgary Board; Senator John L. Nichol, to the Vancouver Board.

Staff

Within the Company, Robert W. Phipps, our highly regarded Vice-President, Western Region, retired on pension after almost 43 years of service. To take his place Robert S. Whyte, a Senior Vice-President, who came originally from Vancouver, returned there from Montreal. J. W. R. Seatle, formerly General Supervisor, Administration and Personal Trust, was appointed a Vice-President 1st August, 1968.

We were shocked by the untimely death,

on 11th February, of Kellock Heming, a Vice-President and Manager of our Montreal Branch, while on a business trip to New York. Mr. Heming had made an outstanding contribution to this Company, while serving it faithfully and with distinction for 46 years.

In November, 1968, I visited the offices of The Royal Trust Group of Companies in London, Jersey and Dublin, and am pleased to report that all are doing well. London is experiencing some premises problems, due primarily and happily to growth. We are not satisfied with our Dublin quarters, but it is not easy to arrange overnight for what might suit us in that venerable and beautiful city.

Dividends

You will have received on 4th February, 1969, a quarterly dividend at the rate of 21¼ cents per share, representing an increase over the previous rate of 17½ cents. Although the extra of 5 cents paid last year at this time was omitted, the new dividend rate, which we expect to continue, will result in total dividends for 1969 of 85 cents a share. This compares with 75 cents in 1968 and 63 cents in 1967. As a result of our Rights issue and our acquisition of The Industrial Mortgage and Trust Company, to which I shall refer later, our outstanding shares have risen from 3,160,000 to more than 4,000,000. Future total cash disbursements for dividends will therefore necessarily increase.

Royal Trust Stock

Last year, which was the first full year that Royal Trust shares were listed on the Montreal and Toronto Exchanges, was an active one for our stock. Almost 500,000 shares, or about 15 per cent of the average shares outstanding, were traded at prices ranging from a low of 14⅝ last March to a high in December of 27. In our Rights issue last autumn, shareholders were offered the right to subscribe at $18 to 790,000 additional shares, representing a relatively high ratio of 1 new share for each 4 shares held. The issue was well received, with less than 1 per cent of the shares not subscribed for by shareholders. After necessary expenses, it resulted in the addition to capital of $14,000,000. An added benefit was that in the process we acquired about 350 new shareholders, bringing the number of shareholders to over 3,400. Approximately 96 per cent of the shares are held in Canada.

It was on the occasion of the Rights issue that our good friend, the Bank of Montreal, despite rumours to the contrary over the years, became, for the first time, a shareholder of this Company, with the full knowledge and approval of our Directors. The acquisition by the Bank of close to 10 per cent of our shares, which is the maximum amount of a trust company's stock that a chartered bank is permitted to own, was announced publicly by Mr. Arnold Hart in a most cordial statement at the Bank's Annual Meeting on 2nd December last. We are pleased to see this tangible evidence of our long and friendly relationship with the Bank of Montreal. Although we shall no doubt continue to compete for savings deposits, I share Mr. Hart's view that this purchase of stock will benefit both the Bank and the Trust Company in the years ahead.

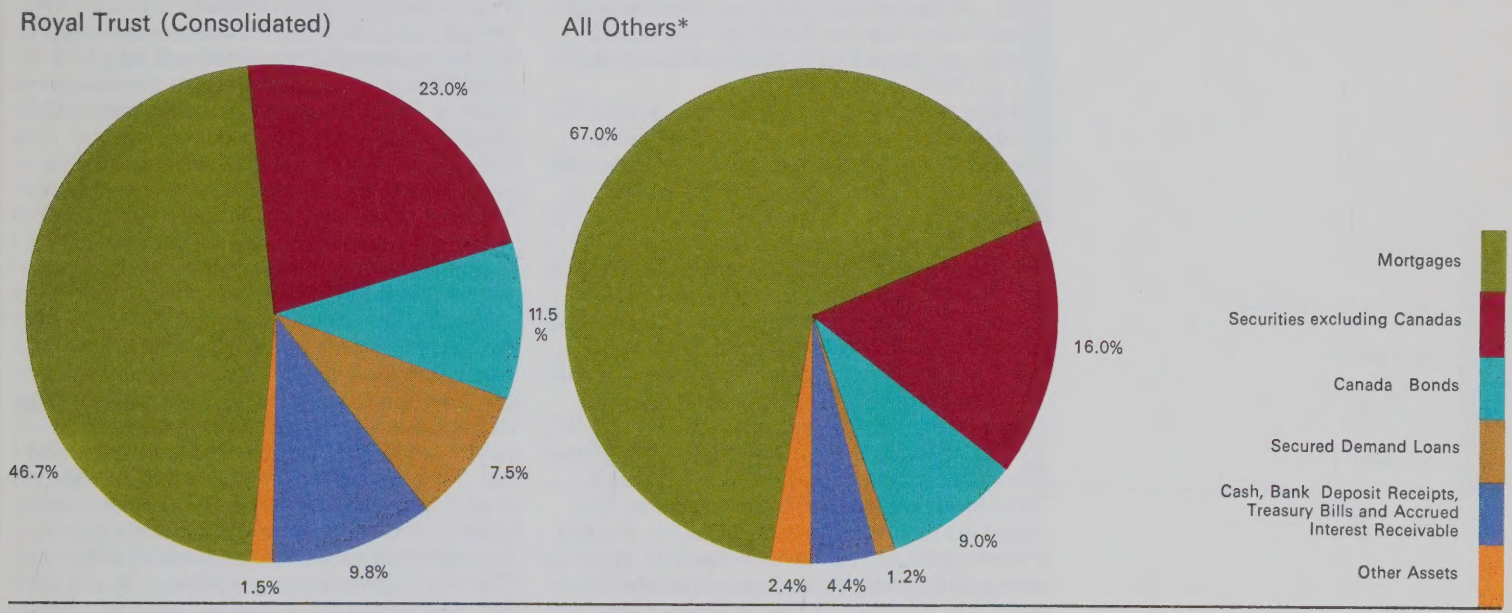
Acquisitions

In 1968 The Royal Trust Company Mortgage Corporation in effect "repatriated" to Canada one of Ontario's oldest financial institutions through the acquisition of 98.98 per cent of the outstanding shares of The Ontario Loan and Debenture Company from The Paul Revere Corporation of Massachusetts. We currently hold all but 40 of the 250,000 issued shares of the company. All these shares were acquired in exchange for cash at a cost of approximately $12.5 million.

Ontario Loan was established in 1870 and provides facilities for savings deposits, mortgages, secured loans and debentures. When all legal formalities have been completed, the two companies will be amalgamated under the name of The Royal Trust Company Mortgage Corporation. The Head Office and principal operations of Ontario Loan are located in London, Ontario, with branches in St. Thomas and Woodstock. As of the date of acquisition, the company had some $80 million in savings deposits and debentures payable, total assets of $90 million and annual net earnings of approximately $720,000.

In the latter part of December, 1968, we made an offer to the shareholders of The Industrial Mortgage and Trust Company. The basis of this offer was 1 Royal Trust share plus $6 in exchange for each share of Industrial Mortgage. There are 181,060 shares of Industrial Mortgage issued and to date Royal Trust has acquired approximately 96 per cent of these shares. If all the shares are deposited, this will represent an investment of approximately $5,500,000 at current market prices. This fine Company, with Head Office in Sarnia, Ontario, was established in 1889. It also has offices in Forest, Petrolia and Strathroy, Ontario. It is our hope to continue and expand Industrial Mortgage and Trust's

Comparative Composition of Assets
Royal Trust with the industry



*Source — Report of the Registrar of Loan and Trust Corporations for the Province of Ontario, 1967.

operations under its own name in one of the most prosperous areas in Canada.

Financial Results

Consolidated operating profits after taxes amounted to $4,674,000 or $1.42 per share, compared with $3,970,000, or $1.26 per share for 1967. Profits per share for 1968 are based upon an average of 3,292,000 shares outstanding during the year, which average has been calculated on the basis of 3,160,000 shares for 10 months and an additional 790,000 shares for 2 months. Profit before income taxes increased by $2,040,000 or 24 per cent. Taxes increased by $1,336,000 or 31 per cent, and net operating profit by $704,000 or 18 per cent. The relatively larger increase for taxes is chiefly as a result of higher tax rates applicable to 1968 income. Although profits after taxes have increased by 18 per cent, the increase in earnings per share, 13 per cent, is relatively smaller. The smaller increase on a per-share basis results from the issue of additional shares in 1968.

The consolidated Profit and Loss Account reflects the operations of Ontario Loan from 1st July 1968, the date of acquisition of majority control by The Royal Trust Company Mortgage Corporation. In order to acquire the shares of Ontario Loan, Royal Trust Mortgage sold revenue-producing assets of approximately $12.5 million. However, the loss of earnings resulting from the sale of these assets has been more than offset by earnings from the operations of Ontario Loan accrued from the date of acquisition.

Balance Sheet

For the first time, the Company's consolidated assets are in excess of $1 billion. As of 31st December, 1968, assets totalled $1,086,000,000, an increase of $330 million or 44 per cent. Of the increase of $330 million, $84 million results from the acquisition of Ontario Loan, $14 million through the issue of additional capital, and normal operations have produced the balance of $232 million.

The Guaranteed Account has continued to grow, reaching a figure of $847 million, or a 39 per cent increase. This growth is due in part to the fact that the Bank of Canada increased the money supply in 1968 by an estimated 15 per cent. Deposit-taking institutions were almost bound to benefit from this rather controversially rapid increase. We have continued the Company's conservative investment policy, which is clearly demonstrated by charts and notes to the financial statements included in the printed report.

The Company has maintained its liquidity ratio of 60 per cent. "Readily realizable assets", which include cash, demand loans, advances to clients, accounts receivable, marketable securities and principal amounts due within one year on mortgages, increased

to $642 million in 1968 from $455 million. On the other side of the balance sheet, investment receipts, debentures and short term notes, all due within one year, plus savings deposits and current liabilities, were $610 million, compared with $438 million at the end of 1967.

The most notable increases for specific classifications of assets are an increase in securities of $137 million, or 56 per cent, and an increase in mortgages of $164 million, or 47 per cent.

Investment receipts outstanding of $789 million represent an increase of $229 million, or 41 per cent. Deposits, notes and debentures of subsidiary companies have increased by $72 million, or 74 per cent. The increase in deposits and debt of subsidiary companies is chiefly attributable to the acquisition of Ontario Loan.

The Company has continued with its policy of transferring to a reserve for Mortgage Contingencies the maximum amounts permitted under income tax regulations. Recent amendments to the Income Tax Act will reduce the permissible allowances and, consequently, the transfer recorded in 1968 of $1,160,000 is smaller than that recorded in 1967, which was $1,674,000. Since it has been the Company's practice to treat the transfers to this reserve as a charge against retained earnings and not as an operating item, this reduction in tax allowances applicable to these reserves will not affect the Company's reported earnings.

Shareholders' Equity has increased by approximately $15.8 million, of which $14 million represents the net proceeds from the sale of the 790,000 additional shares offered under Rights.

General

It has been my custom, under this heading, to try to ensure that you are kept aware of some of the numerous developments that affect or promise to affect one or more of the many activities of this Company, and also to tell you of some of the projects we have undertaken during the year. It is becoming increasingly difficult, with our sustained growth, to do justice to the many things that are going on, and for lack of space some have simply had to be omitted.

Dealing first, then, with some of our own affairs. In the area of sentiment, our original home and long-time Head Office at 105 St. James Street West, Montreal, was sold, and we no longer retain any space or staff there. We celebrated with Mr. Ross Clarkson his 60 years of association with this Company. For the first time, a handsome Royal Trust House flag was produced, to fly over our offices on appropriate occasions. As regards premises, new buildings in which we will be tenants were topped off in Vancouver, Toronto and St. John's, Newfoundland; it has been arranged that each will bear the name Royal Trust, and we plan to occupy them in 1969. Also, new offices were opened in Sherbrooke, in the most modern building in that city. Trois-Rivières was promoted to the status of a Branch, and at Regina we installed an Advisory Board. There were numerous other events and happenings in the area of good promotions and timely public relations.

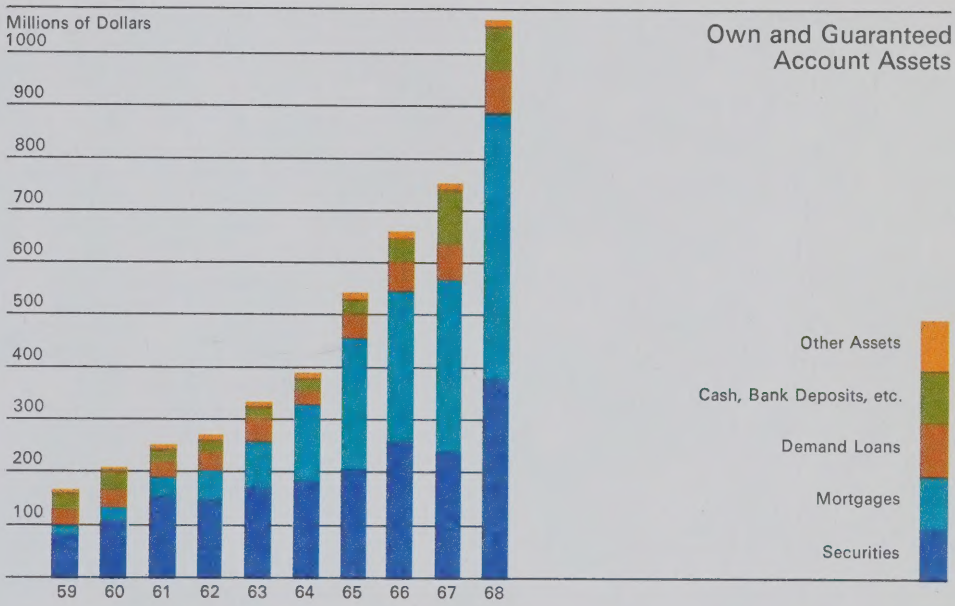
Moving on to the larger scene, I am pleased to be able to tell you that finally — within the last month — as a result of an agreement between the Quebec and Federal Governments, we have been issued with a policy under the Canada Deposit Insurance Act. This means that deposits made with us in all Provinces other than Quebec are now insured under the Federal Act, while our deposits in Quebec will be insured with the Quebec Deposit Insurance Board. It will be appreciated that this simplifies matters for our clients and staff in other parts of Canada.

Last year we felt somewhat relieved by indications that the controversial Report of the Royal Commission on Taxation (better known as the Carter Report) had in effect been set aside by the then Minister of Finance, with some assurance that contemplated tax reforms would be within the existing tax structure. It does not seem to me that this is exactly what has happened, insofar as the current proposals for changes in the Federal Estate and Gift Tax laws are concerned. It also seems extraordinary that the Provinces have not apparently been consulted. We have done our best, by supporting public bodies, writing to Ministers, and the like, to ensure that the interested public will know what is being planned. I will not go into detail here. However, let me make these general observations. No one would fight about new laws which are planned to reduce tax burdens or remove inequities such as the taxation of pensions under both income tax and estate tax regulations. A measure of relief to lighten the impact of tax upon estates going from husband to wife outright, and vice versa, seems desirable, although this has to be paid for by the next generation, at rates which by and large will fall more heavily on it than would the present levy. There can never be any substitute for an up-to-date will, revised frequently in the light of changes such as those about which we are speaking.

This is all very well, and the words and

music are not new to corporate executors and trustees. What seems to emerge from the debate, however, is a re-statement of a government or political philosophy. We in Canada have surely heretofore recognised the need for capital formation wherever it can be done; this is a new country and we still need more capital than we seem to be able to raise. This is partly because we want to give ourselves the best of everything for everyone — not in itself an unworthy ambition, but also an almost sure prescription for national bankruptcy. But we are now being told, in effect, that the accumulation of capital in private hands, and its transmission to succeeding generations, whether in the form of land, family businesses, or stocks and bonds, is not necessarily an estimable goal to strive for. I find this unacceptable, as do any truly responsible Canadians to whom I have spoken, including a number of thoughtful politicians in more than one political party. If the desire and ability to produce, save, create, and pass on to one's descendants is legislated out of existence, then I need not tell you what kind of a country we can expect to have. In saying this, I am fully conscious that the opportunities to take part in these basic human activities are not yet as widespread in Canada as we would like them to be; it is in the creation of more such opportunities that we should be applying more of our imagination and skill, not in the taxation, reduction and elimination of capital formation.

How could one report on 1968 and not also make some reference to the larger problem of public finance? Much has been and will be written and spoken, and I have no panacea to offer. Perhaps the word "money" means more to all of us than such more erudite terms as inflation, G.N.P., productivity and the like. The basic problem is that our money seems to buy less and less for us here in Canada, and indeed its value has been dwindling at the rate of over four per cent per year. At the same time, we are all bending under the fresh burdens of ever-increasing taxes by all levels of government, which now take away about 30 per cent of the Gross National Product, compared to less than 25 per cent as recently as 1966. The Governments are hard put to pay their bills, and indeed, as no one wants to buy bonds, the only way the Federal Government can raise money (apart from taxes) is by selling bonds to the banking system, which allows the Banks to increase their loaning base, thereby increasing the money supply. This process steadily reduces the value and power of the money in our



pockets. Unhappily, this condition is not confined to Canada but exists in varying degrees in all Western countries.

We are told Canadian production is increasing at about five per cent per year, which is considered by experts to be encouraging — and we all want a larger share of this real wealth, including Governments, unions and everyone else. But Governments are now asking for nearly 30 per cent of the total, as mentioned earlier, and this does not include municipal spending. All this means continuing inflation, and may lead us into real trouble. The most rigid economies, the creation of a wise system of priorities, the complete replanning of medicare — it will take all of these, together with two or three years of unrelenting control of expenditures and demands, to achieve a perceptible decline in inflation, and so to halt the erosion of the value of our money. Perhaps the most dangerous aspect of this whole situation is the tempting idea that it is possible to live indefinitely with this kind of inflation. It has been stated that "Any financial system that equates normalcy with distortion will end up in an unrecognizably twisted shape." (*The Gazette*, Montreal, 23rd January, 1969), and we should not forget this.

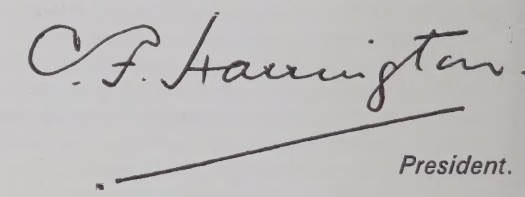
You may well find this depressing, and to some degree it has to be. On the other hand, there is surely much ground for optimism too. Ever since I have been in business, the outlook has always been portrayed in a sombre manner, and yet, in trying to get a perspective, one has to be impressed with the true progress which has been made over the years. Canadians and Americans have

enormously strong economies in a real sense. Our peoples are highly educated, industrious and skilled. General levels of education and ability, spurred on by technical ingenuity, are rising all the time. One might compare our situation to an ocean. The great bulk of the sub-surface water lies placid and deep. On the surface you see every effect of wind, wave and tide. These can be related to the political and economic stresses and strains which concern us so much daily that we lose sight of the great fundamental *power* of the economy. Human beings are very adaptable, and short of chaos created by revolution, war, or plain bad government, can solve even the most intractable problems. In Canada, in addition to all else, we have the challenge of developing an effective bilingual nation. I fully recognize the difficulties, but am firmly of the opinion that the great underlying assets, human and material, with which we have been endowed, will enable us to avoid any rupture, although we must look forward with certainty to frequent and recurring alarms, pressures and stresses, as part of the process leading toward our goals.

Throughout the year, we have enjoyed good working relationships with Governments, particularly the relevant Ontario and Quebec Ministers and their departmental officials. Acquisitions, rights issues, new funds, have all produced an unusually heavy volume of dealings with Government, and we are indeed grateful for the understanding and co-operation we have been accorded.

No company is any better than the staff it can attract, train and retain. On balance, Royal Trust is indeed fortunate in the calibre of its men and women. I am pleased to be able to tell you that plans are well advanced under which we will offer to all regular employees participation in a stock option plan on favourable terms, within the limits now required by Provincial Securities Commissions, and the Montreal and Toronto Stock Exchanges. The Directors authorized the setting-aside of 100,000 shares for this purpose in 1968. A number of more senior employees are already shareholders, and we hope wider ownership under the new plan will encourage our staff to become even more closely identified with and interested in the Company.

So, to management and staff at all levels and in all locations, to the Directors, Advisory Board members, and shareholders, I extend my most sincere appreciation.



President.

26th February, 1969.

People — that is what Royal Trust is all about. People being provided with a wide range of useful services — young people, older people, people of modest estate and also the very rich. The individual and the corporation are both served by Royal Trust, and serving the corporation also means people — hundreds of thousands of Canadians, for example, are served by Royal Trust as it provides the investment skill for the some 800 company pension programs which protect their future.

The Financial Reports presented today record an increase in Assets under Administration of $588 million, bringing the total to approximately $8.9 billion, calculated at market values where available, and, otherwise, at estimated realizable values. These and other results reflect the efforts of 2,268 employees and the cumulative effect of their skills in a diversity of specialties. About 62 per cent of our operating expenditures are attributable to staff compensation, including benefits, training and acquisition. In 1968, the total for this item was about $14.4 million — a not inconsiderable sum.

Our internal management courses now include a programme for Intermediate Supervisors as an adjunct to the more intensive studies arranged for staff in the middle management category. Last year a new course in investment management was initiated and we hope for greatly improved standards of performance from the participants as well as additional recruits to this interesting and vital service. Our staff appraisal system, reported on previously, has been improved on to the advantage of both management and employees and, as a result, the possibilities for proper allocation of the skills of individuals have been greatly broadened. Opportunities to advance in the Company are enhanced by our policy of transferring staff members from time to time throughout the branch system to more demanding and challenging positions. It is worth recording that over 20 per cent of all Canadian employees are rated as capable of working in the two official languages of Canada ; most, but not all of these, work in the Province of Quebec.

Marketing

Throughout 1968, the Marketing Group made significant strides and produced many interesting concepts for consideration by management. The statistical section has produced very interesting data pertaining to the cities in which our branches are situated, giving the Managers vital statistics not previously available to them. The increase in Savings through 1968 and the organization of the marketing of "M" Fund reflect a generous contribution from this Group. Personal Trust being a very important sector of our business, the Marketing Group currently is working to develop information and techniques for the improvement of services to existing clients and acquisition of new accounts.

"A", "B", "C" and "M" Funds

Our Managed Funds enjoyed a successful year, the total asset value of "A", "B" and "C" more than doubling in the period to reach $50 million by the end of December. Funds "A" and "C" — invested in American and Canadian common stocks respectively — benefitted from both rising equity prices and a steady inflow of new money for investment. Fund "B", the assets of which consist exclusively of Canadian bonds and debentures, showed only marginal growth, partly due to continued deterioration of the bond market.

In November, 1968, we added "M" Fund. We believe this is the first unitized investment fund available to the general public invested exclusively in First Mortgages. As the price of units in the Fund is determined monthly on the basis of the prevailing rate for new first mortgages, the net yield of the Fund to its participants should average about 8½ per cent over the course of the year, after the Company's annual fee of 0.85 per cent. The initial response to the announcement of "M" Fund has been enthusiastic and we believe it is tapping an entirely new source of mortgage money whereby Royal Trust can make a useful contribution toward improving the housing market in Canada.

These four Funds cover a wide spectrum of investment media, providing a convenient means of investing funds of any amount to meet the individual's investment objectives. There are no acquisition or liquidation charges and investors may shift money freely between Funds to meet changing economic or personal circumstances. A chart demonstrating the growth of these Funds will be found on Page 12 of the printed Annual Report.

Mortgages

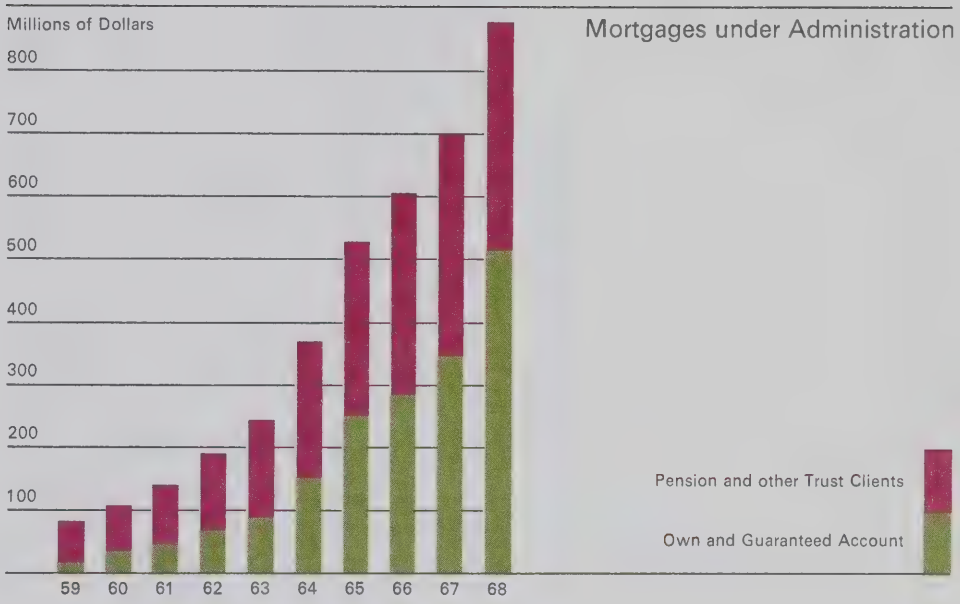
The total volume of mortgages now under administration by this Company is approximately $885 million. This money has been loaned on various kinds of real estate across Canada to about 37,500 individuals and corporations. The total reflects the growth factor added by the mortgage portfolio of The Ontario Loan and Debenture Company, amounting to $84 million. In addition, we placed more than $130 million in new mortgages from our own sources. In our mortgage lending, we continued to exercise what we consider good planning in terms of both diversification and geographic distribution of real estate security. As a matter of topical interest, 66 per cent of our total portfolio is secured by residential properties.

Interest rates during 1968 started out in the area of 8¼ — 8½ per cent and through the year climbed to what appears to be an all-time high of 9½ per cent for prime loans.

Mortgage Corporation

While on the subject of mortgages, it would seem appropriate to comment on the progress of our wholly-owned subsidiary, The Royal Trust Company Mortgage Corporation. This Corporation issues a separate Annual Report, mailed to preferred shareholders. In the last two years, statements were included in the parent company's Report as supplemental information. This year we have discontinued the practice as our Consolidated Balance Sheet now includes the operations of the Mortgage Corporation. Shareholders of Royal Trust or other interested parties who wish a copy of the Mortgage Corporation's Annual Report will be supplied on request.

Some changes in the asset structure of the Mortgage Corporation occurred during 1968 due to the acquisition of Ontario Loan, mentioned by the President. Total assets of the Mortgage Corporation increased from $111 million to $189 million, an increase of $78 million, or 70 per cent — all attributable to the acquisition of Ontario Loan.

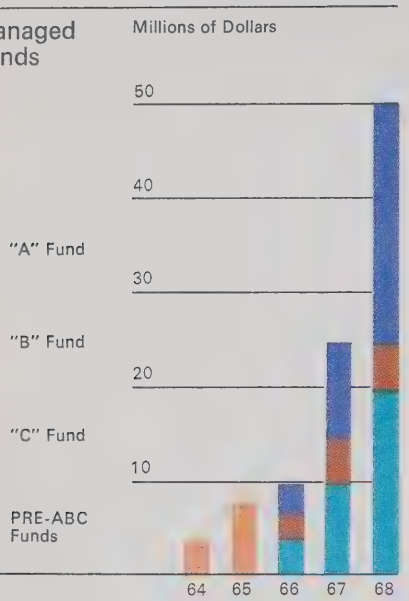


Total mortgage loans in this subsidiary as at 31st December, 1968, amounted to $163 million, compared with $84 million for the previous year. On the liability side of the Mortgage Corporation's Balance Sheet, debentures show an increase of $59 million, to a total of $115 million as at 31st December, 1968, again due entirely to the acquisition of Ontario Loan. These debentures had been issued by them in current and prior years and are all for maturities of five years or less. Mortgage Corporation profit, after taxes, in 1968, was $908,000 as compared to $756,000 reported for 1967, an increase of 20 per cent.

Profit Planning and Expenditure Control

Last year this section was entitled "Budget and Expenditure Control". The change is deliberate, reflecting progress in our techniques for budgeting "Expenditures" and "Income". The Budget system has proven itself and is operating on an efficient basis. Branch, Department and Divisional Managers across the country have acquired respect for it as a tool of administration and we are now moving into the next phase — profit planning. Currently we are in the process of establishing earnings projections and other pertinent figures for one to five years ahead. In addition, a Profitability Group has been organized and charged with the responsibility of providing cost accounting and similar technical services.

You will note from the 10-year Review included in the printed copy of the Annual Report that our operating expenses increased

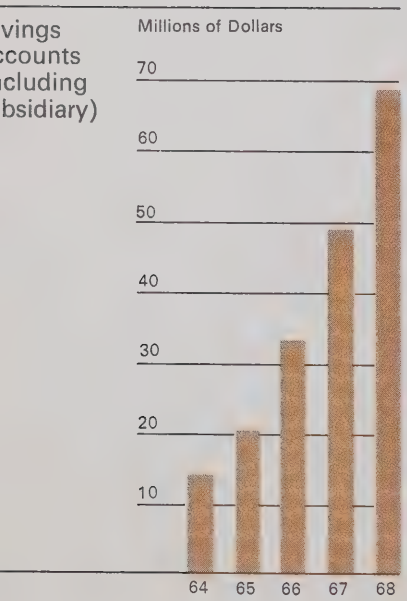


by $1.5 million in 1968, an increase of 7.1 per cent over the same figure for 1967. This is the lowest percentage increase in the 10-year period, although it includes operating expenditures of Ontario Loan from mid-1968. Had we excluded Ontario Loan figures, the increase would have been 5.6 per cent. The average annual increase for the nine preceeding years was 13 per cent.

Investments

The subject of investments appears to be of prime interest to a large proportion of our clients. While many investment accounts have been advised over the years to seek a high degree of protection in traditional investment securities, most Canadians must now reassess their objectives in the light of continued world monetary inflation. In many cases, it means acceptance of a new concept of risk, which is essential if the purchasing power of the Canadian dollar is to keep pace with inflationary economic trends. Fifteen years ago many of our Personal Trust accounts would have held not more than 50 per cent in common stocks and Pension Trusts were restricted by regulation to not more than 15 per cent. Nowadays between 70 and 80 per cent of an individual's portfolio is likely to be the average participation in equities, and in Pension Trusts, which are no longer restricted, it is not likely to be less than 60 per cent. The increased emphasis on common stocks has caused us to reassess the tasks of our investment facilities, accelerating many plans for organization, training and acquisition of skilled personnel.

There has been a significant increase in the number of investment-trained officers as well as greater delegation of investment management authority subject to over-all Company policy and a measure of necessary supervision. Modern conditions require aggressive portfolio management to be competitive and analysis of investment results attained in relation to investment objectives of some accounts provide a basis for performance measurement. Accordingly, our investment officers now expect to have the performance of their investment portfolios compared to that of other portfolios, outside, as well as inside the organization. The challenge presented has been picked up with enthusiasm and ensures that staff involved are fully alive to trends and opportunities in the market place as they may apply to their various accounts and investment objectives. This development would not be possible without the support of a highly developed investment research department, participation in several computer-oriented investment research projects, and modern securities trading departments. Our trading facilities have been reorganized with additional trained staff and installation of the most modern communications facilities.



Premises

As mentioned briefly by the President, in April last year our Sherbrooke Branch moved into a new Royal Trust Building. This was a long-awaited event and we were in no way disappointed with the facilities provided in the new building.

St. John's (Nfld.) Branch moved into the new 12-storey Royal Trust Building in that city in January of this year. It is the tallest office building in the Province. Vancouver Branch and Western Region headquarters are expected to move into the new 17-storey Royal Trust Tower this spring, while the move of main Toronto Branch and Ontario Region headquarters into Toronto's Royal Trust Tower — the 46-storey second tower of the Toronto-Dominion Centre — is scheduled for later in the year.

In 1968, we completed ground floor renovation of our Edmonton Branch and in mid-1969, Charlottetown Branch will move into new quarters in that city. With the acquisition of Ontario Loan and Industrial Mortgage and Trust, we have added eight offices in Ontario, bringing the total in that Province to 22, including real estate offices.

Savings

Results for 1968 show that most new Branches based on Savings and opened during the past two years, have now become profitable; others are expecting to do so during 1969. We now have 36 Savings facilities across Canada, which have produced in excess of $69 million in Savings money. There is also a significant trend in the conversion of funds from Savings Accounts into Guaranteed Investment Receipts and "A", "B" and "C" Units.

Pension Trust

The Pension Trust operation enjoyed another successful year, with 110 new appointments bringing the total to more than 800 corporations for whom we act as Trustee. The asset increase was about $200 million, and the total is now in excess of $1.7 billion. The question of investment performance was a subject of major concern in the field of Pension Trust investment during the year, having become something of a syndrome which conceivably could

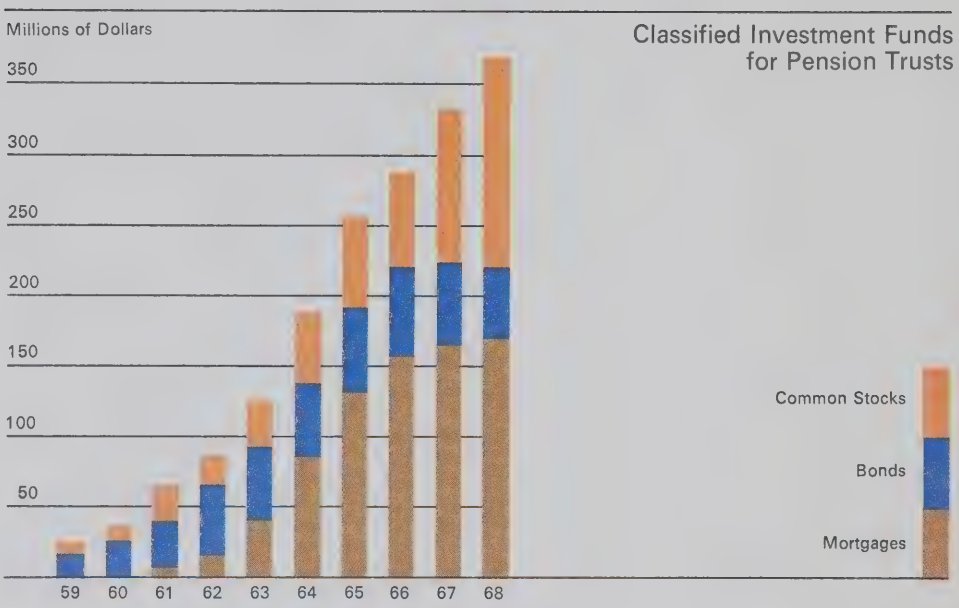
affect the ability of Pension Funds to meet benefit obligations at a later date. We consider it essential to have well-conceived investment objectives against which the performance of Pension Fund contributions, when invested, can be measured. It is equally important to establish responsible standards of performance, assessment of risk and confidence in the objectives and measurements. A considerable amount of talent and time have been given to these subjects and we believe satisfactory progress was made. During the past year a booklet entitled "Pensions in Canada and the U.S." was produced by our Pension Trust Department, reviewing Pension Legislation in Canada, and comparing the operation of Social Security systems in the U.S. with those in Canada. In our view, supplementary employee benefits will assume growing importance in the years ahead as many companies seek to attract and hold key personnel. Our trained staff has been in the forefront of this development and is now in a position to assist corporations with this type of benefit programming.

Corporate Trust

Trading volumes on Stock Exchanges being at record high levels, our Stock Transfer operation was very active in 1968. A number of our corporate clients increased their capitalization by means of rights or stock splits and we also acted as agents for companies seeking to merge. Difficult monetary conditions and a record high level of interest rates which prevailed through 1968 resulted in fewer corporate borrowings by way of bond or debenture issues. While our Bond Trustee Department did not handle as many new issues, the dollar volume was only slightly less than the 1967 total of $407 million.

Computer

Electronic data processing has now become such an essential part of our operation that it requires continuous study of new applications to ensure full utilization. Following an intensive study of our computer requirements over the next five to ten years, it was apparent our existing equipment could not sustain the volumes being generated as it is now working at over 90 per cent of rated capacity. As a result, it has been decided to install a medium-sized third generation computer with a random access oriented system. We have scheduled installation for the Fall of 1969, which allows time for redesign of systems and programming.



Classified Investment Funds for Pension Trusts

I would like to join the President in thanking all members of the staff for their outstanding co-operation and application of skills to the operation of the Royal Trust group of Companies throughout the past year.

Executive Vice-President.

26th February, 1969.

The Royal Trust Company and its subsidiaries
Consolidated Balance Sheet as at 31st December, 1968

Assets	**1968**	1967
ASSETS HELD FOR GUARANTEED ACCOUNT		
Cash, bank deposit receipts and treasury bills	**$ 72,989,000**	$ 78,112,000
Secured demand loans	**73,269,000**	48,929,000
Securities — at cost (Note 2)	**353,808,000**	220,891,000
Mortgages — at cost (Note 4)	**346,966,000**	262,013,000
	$ 847,032,000	$ 609,945,000
OTHER ASSETS		
Cash, bank deposit receipts and treasury bills	**$ 23,590,000**	$ 16,804,000
Secured demand loans, and advances to clients	**9,608,000**	9,516,000
Miscellaneous accounts receivable	**3,372,000**	1,390,000
Securities — at cost less reserve (Note 2)	**26,722,000**	22,899,000
Mortgages held by subsidiaries — at cost (Note 5)	**163,429,000**	84,133,000
Investment in and advances to partially-owned companies — at cost (Note 1)	**1,613,000**	1,613,000
Premises, equipment and leasehold improvements at cost less accumulated depreciation and amortization (Note 9)	**7,081,000**	8,868,000
Unamortized debenture discount of Mortgage Subsidiary	**949,000**	1,075,000
Excess of cost of investment in The Ontario Loan and Debenture Company over acquired equity in net assets	**2,766,000**	
	$ 239,130,000	$ 146,298,000
Signed on behalf of the Board	**$1,086,162,000**	$ 756,243,000

JACK PEMBROKE
CONRAD F. HARRINGTON } Directors.

The accompanying notes are an integral part of these financial statements

Assets Under Administration

as at 31st December — at estimated value	**1968**	1967
Funds and Investments of Estates, Trust and Agency Accounts under Administration excluding Bond Trusteeship and collateral held in that connection	**$7,773,000,000**	$7,514,000,000
Companies' Guaranteed Account and Other Assets	**1,086,000,000**	757,000,000
	$8,859,000,000	$8,271,000,000

Liabilities and Shareholders' Equity	1968	1967
GUARANTEED ACCOUNT — TRUST FUNDS FOR INVESTMENT		
Investment receipts (Note 6)	$ 789,473,000	$ 560,090,000
Savings	57,559,000	49,855,000
	$ 847,032,000	$ 609,945,000
LIABILITIES		
Savings deposits of subsidiary	$ 12,090,000	$
Short term notes of subsidiaries	42,993,000	42,069,000
Due to bank	2,556,000	3,220,000
Income tax and sundry liabilities	6,447,000	3,461,000
Preferred dividend payable by subsidiary	125,000	125,000
Debentures of subsidiaries (Note 7)	115,097,000	55,898,000
	$ 179,308,000	$ 104,773,000
MINORITY INTEREST AND CONTINGENCY PROVISIONS		
Deferred income taxes	$ 1,419,000	$ 129,000
Mortgage contingency provision (Note 8)	6,452,000	5,292,000
Preferred shares of The Royal Trust Company Mortgage Corporation	5,000,000	5,000,000
Equity of minority shareholders in The Ontario Loan and Debenture Company	1,000	
	$ 12,872,000	$ 10,421,000
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)		
Authorized — 5,000,000 shares of $1.00 par value		
Issued and fully paid — 3,950,000 shares	$ 3,950,000	$ 3,160,000
Reserve	40,000,000	25,000,000
Retained earnings	3,000,000	2,944,000
	$ 46,950,000	$ 31,104,000
	$1,086,162,000	$ 756,243,000

Auditors' Report

To the Shareholders of The Royal Trust Company

We have examined the consolidated balance sheet of The Royal Trust Company and its subsidiaries as at 31st December, 1968 and the statements of consolidated profit and loss, retained earnings and reserve accounts for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Clients' accounts and guaranteed funds are kept separate from the Company's own funds and are so earmarked in the books of the Company as to show the accounts to which they belong.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at 31st December, 1968 and the results of their operations for the year then ended.

Riddell, Stead, Graham & Hutchison

Montreal, 30th January, 1969.

Chartered Accountants

The Royal Trust Company and its subsidiaries
Statements of Consolidated Profit and Loss, Retained Earnings and Reserve Accounts for the year ended 31st December, 1968

Profit and Loss Account	**1968**	1967
Income		
Fees and commissions	**$23,072,000**	$20,847,000
Income from investments	**59,563,000**	45,133,000
	$82,635,000	$65,980,000
Expenses		
Interest paid	**$48,889,000**	$35,822,000
Salaries, pension contributions and other staff benefits	**14,472,000**	13,590,000
Other	**8,714,000**	8,048,000
	$72,075,000	$57,460,000
Profit before income taxes	**$10,560,000**	$ 8,520,000
Income taxes	**5,636,000**	4,300,000
Net profit before dividends to preferred shareholders of mortgage subsidiary	**$ 4,924,000**	$ 4,220,000
Dividends to preferred shareholders of mortgage subsidiary	**250,000**	250,000
Net operating profit for the year	**$ 4,674,000**	$ 3,970,000
Gain on disposal of premises	**81,000**	
Net profit for the year	**$ 4,755,000**	$ 3,970,000

Retained Earnings Account		**1968**	1967
Balance 1st January		**$ 2,944,000**	$ 2,769,000
Net profit for the year		**4,755,000**	3,970,000
		$ 7,699,000	$ 6,739,000
Deduct: Mortgage contingency provision	$1,160,000		1,674,000
Less income tax reduction applicable thereto	615,000	**545,000**	(870,000)
Dividends paid		**2,370,000**	1,991,000
Underwriting and other expenses of rights issue		**214,000**	
Transfer to Reserve		**1,570,000**	1,000,000
Balance 31st December		**$ 3,000,000**	$ 2,944,000

Reserve Account	**1968**	1967
Balance 1st January	**$25,000,000**	$24,000,000
Transfer from Retained Earnings	**1,570,000**	1,000,000
Premium on issue of shares	**13,430,000**	
Balance 31st December	**$40,000,000**	$25,000,000

Services Royal Trust provides . . .

for the individual

Estate Planning

Executor and trustee under wills

Administrator or agent for the heirs in estates where there is no will

Agent or attorney for executors

Agent for the management of estates

Trustee under deeds of trust

Committee or curator to property

Manager of investments

Agent for the investment of money and collection of dividends, interest, rent, and the principal of mortgages, bonds and stocks

Managed Investment Funds (A, B, C and M)

Agent to buy, sell, and manage real estate

Mortgage loans

Custodian of securities

Depositary for medium and short term money against Guaranteed Investment Receipts

Savings Accounts

Savings Deposit Certificates

Agent for preparation of Income tax returns

Registered retirement savings plans (guaranteed)

Standing-by attorney

for corporations, firms and other organizations

Transfer agent and registrar for shares

Paying agent for dividends and bond interest

Subscription and rights agent

Depositary and escrow agent

Trustee for bondholders and registrar for bonds

Depositary for medium and short term money against Guaranteed Investment Receipts

Trustee and custodian for pension and other employee benefit plans

Trustee for buy-sell agreements under business insurance trusts

Management and custodianship of securities

Custodian and trustee for non-resident insurance companies

Agent for real estate, mortgages and lease-back agreements

Property management

Management of endowment funds, collection of pledges, etc., for charitable, religious, educational and similar bodies

General financial agent and all related services

1. Basis of Consolidation

The consolidated balance sheet includes all wholly-owned subsidiary companies and The Ontario Loan and Debenture Company, of which 99.98% of the outstanding shares were acquired during 1968 by The Royal Trust Company Mortgage Corporation. The subsidiary companies included are The Royal Trust Company of Canada (a U.K. Corporation), The Royal Trust Company of Canada (C.I.) Ltd. (located in Jersey in the Channel Islands), The Royal Trust Company (Ireland) Limited, The Royal Trust Company (Bahamas) Ltd., The Royal Trust Company Mortgage Corporation, The Bankers' Trust Company, Royal Agencies Limited and Place d'Armes Realty Co. Ltd. The accounts of Doreal Investments Ltd., a partially-owned subsidiary, have not been consolidated.

Assets and liabilities of subsidiaries operating outside of Canada are recorded at rates of exchange prevailing at 31st December, 1968.

The consolidated profit and loss account reflects the operations of The Ontario Loan and Debenture Company from 1st July, 1968, but does not include the operations of Doreal Investments Ltd. and its subsidiary, explanation of which is furnished below.

The Royal Trust Company has an investment of $970,000 (cost) in the equity share capital and $500,000 in funded indebtedness of Doreal Investments Ltd., a partially-owned (70%) company with a wholly-owned subsidiary real estate holding and operating company, Dorchester University Holdings Ltd. Since August, 1965, when Doreal Investments Ltd. became a partially-owned subsidiary, Dorchester University Holdings Ltd. has recorded losses totalling $768,000 after providing for depreciation of $1,583,000. These losses have not been reflected in the accounts of The Royal Trust Company whose proportion of such losses have accumulated to $537,000 as of 31st December, 1968, allocated as follows: 1965 $50,000; 1966 $135,000; 1967 $146,000; 1968 $206,000. The accounts of the aforementioned subsidiaries have not been consolidated with those of The Royal Trust Company for the reasons that the investment therein is not considered to be material in relation to the whole; the partially-owned subsidiary companies have different fiscal year-ends and are in the process of being reorganized and refinanced.

2. Securities

	1968	1967
An analysis of securities held for Guaranteed Account is as follows:	Cost	Cost
Bonds of, or guaranteed by, governments of Canada, U.S.A. and U.K.	$120,289,000	$ 87,825,000
Bonds of, or guaranteed by, other governments	24,921,000	14,219 000
Obligations of municipalities and corporations	208,598,000	118,847,000
	$353,808,000	$220,891,000
An analysis of securities owned by the companies is as follows:		
Bonds of, or guaranteed by, governments of Canada and U.K.	$ 6,804,000	$ 9,671,000
Bonds of, or guaranteed by other governments	286,000	4,295,000
Obligations of municipalities and corporations	11,338,000	7,117,000
	$ 18,428,000	$ 21,083,000
Preferred shares	3,537,000	2,987,000
Common shares	8,819,000	2,569,000
	$ 30,784,000	$ 26,639,000
Less Investment Reserve (Note 10)	4,062,000	3,740,000
	$ 26,722,000	$ 22,899,000
Total securities held for Guaranteed Account and owned by the companies	$380,530,000	$243,790,000

The aggregate market value of the above securities is $382,423,000 for 1968 and $244,838,000 for 1967.

3. Maturities of Assets

	1968	1967
Percentages by maturities of assets, excluding mortgages, held by Guaranteed Account are as follows:		
Due within 1 year	64.3%	57.6%
Due within 2 years	10.9	22.4
Due within 3 years	9.4	9.0
Due within 4 years	3.2	7.3
Due within 5 years	10.9	3.0
Due beyond 5 years	1.3	.7
	100.0%	100.0%

4. Mortgages Held for Guaranteed Account

	1968		1967	
Mortgages by principal amount due held for Guaranteed Account are as follows:				
Mortgages held for investment	%		%	
Due within 1 year	**17.2**	**$ 57,131,000**	14.7	$ 33,313,000
1 to 5 years	**67.3**	**223,074,000**	68.5	154,592,000
Beyond 5 years	**15.5**	**51,471,000**	16.8	37,882,000
	100.0	**$331,676,000**	100.0	$225,787,000
Mortgages under agreement for sale				
Receivable within 1 year		**$ 6,042,000**		$ 19,559,000
Receivable within 2 years		**9,248,000**		6,545,000
Receivable within 3 years				10,122,000
		$ 15,290,000		$ 36,226,000
Total mortgages		**$346,966,000**		$262,013,000

5. Mortgages Held by Subsidiaries

	1968		1967	
Mortgages by principal amount due held by subsidiaries are as follows:	%		%	
Due within 1 year	**9.7**	**$ 15,765,000**	4.5	$ 3,837,000
1 to 5 years	**48.2**	**78,776,000**	19.9	16,759,000
6 to 10 years	**28.6**	**46,880,000**	41.8	35,158,000
11 to 15 years	**11.9**	**19,466,000**	30.8	25,905,000
16 to 20 years	**1.4**	**2,231,000**	2.5	2,089,000
21 to 25 years	**.2**	**311,000**	.5	385,000
	100.0	**$163,429,000**	100.0	$ 84,133,000

6. Investment Receipts

	1968	1967
Investment Receipts are due as follows:		
Due within 1 year	**$465,773,000**	$331,826,000
1 to 5 years	**323,700,000**	228,264,000
	$789,473,000	$560,090,000

7. Debentures of Subsidiaries

	1968	1967
Maturity dates of debentures of subsidiaries are as follows:		
1968	**$**	$ 7,509,000
1969	**22,971,000**	5,389,000
1970	**15,908,000**	
1971	**16,729,000**	
1972	**17,778,000**	10,000,000
1973	**8,711,000**	
1975	**9,250,000**	9,250,000
1976	**2,600,000**	2,600,000
1981	**3,400,000**	3,400,000
1985	**11,750,000**	11,750,000
1995	**6,000,000**	6,000,000
	$115,097,000	$55,898,000

Annual sinking fund requirements are:	
1971 to 1975 inclusive	$280,000
1976 to 1980 inclusive	120,000

8. Commitments and Contingencies

(i) Outstanding commitments as at 31st December, 1968 for future advances to be secured by mortgages were $77,668,000, of which $15,502,000 have been allotted to trust clients whose accounts are administered by the Company.

(ii) The Company has contractual obligations in respect of leases payable as follows:

	Total Sums Payable in Period
Within 5 years	$ 10,694,000
6 to 10 years	9,780,000
11 to 15 years	8,120,000
16 to 20 years	6,897,000
21 to 25 years	2,243,000
	$ 37,734,000

$15,699,000 of the total obligations of $37,734,000 is to the Company's partially owned subsidiaries. Rents incurred in 1968 were $1,927,000.

(iii) On 18th December, 1968, the Company made an offer to shareholders of The Industrial Mortgage and Trust Company. The offer comprises 1 share of the Company plus $6.00 in exchange for each share of Industrial Mortgage. At the time of the expiry of the initial offer period on 29th January, 1969, the Company had accepted 173,388 shares deposited (95% of the total issued and outstanding). The period for acceptance of further shares of Industrial Mortgage expires 28th February, 1969 unless extended.

(iv) The Company's policy is to make provision for mortgage contingencies up to the maximum permitted under Section 85(G) of the Income Tax Act. Proposed revisions to this section will reduce the permissible accumulated provision from 3% to 1.5% of total mortgages. Consequently, the mortgage contingency provision includes an estimated $224,000 of taxes payable over the next 10 years.

9. Premises and Equipment

Premises, equipment and leasehold improvements are stated at depreciated cost. The Company's policy is to write off buildings at rates equivalent to those established by income tax authorities and other fixed assets at rates in excess of income tax rates. Depreciation of premises and equipment and amortization of alterations to leased premises charged to operations amounted to $1,139,000 in 1968 and $1,093,000 in 1967.

10. Net Operating Profit

Net operating profit is after providing for losses, none of which were material, on accounts receivable and on demand and mortgage loans and is exclusive of profits less losses on sale of securities (with income taxes applicable thereto) which were recorded in the Investment Reserve in the amount of $322,000 profit in 1968 and $263,000 profit in 1967.

11. Miscellaneous Accounts Receivable

Miscellaneous accounts receivable of $3,276,000 includes $1,542,000 due from a partially-owned company.

12. Secured Demand Loans

Secured demand loans, and advances to clients of $9,608,000 include $171,000 advanced to employees to enable them to purchase fully-paid shares of the Company.

13. Capital Stock

(i) Following the exercise of rights on 18th October, 1968, 790,000 additional fully-paid shares were issued for $18.00 cash per share. Reserve has been increased by subscriptions in excess of par value.

(ii) 100,000 shares of capital stock have been set aside for issue and allotment from time to time by the directors to employees under option agreements or otherwise. As at 31st December, 1968, no options had been granted on such shares and none of the said shares had been issued.

(iii) The maximum number of shares which may be issued to shareholders of The Industrial Mortgage and Trust Company in accordance with the offer outlined in note 8 (iii) above is 181,860.

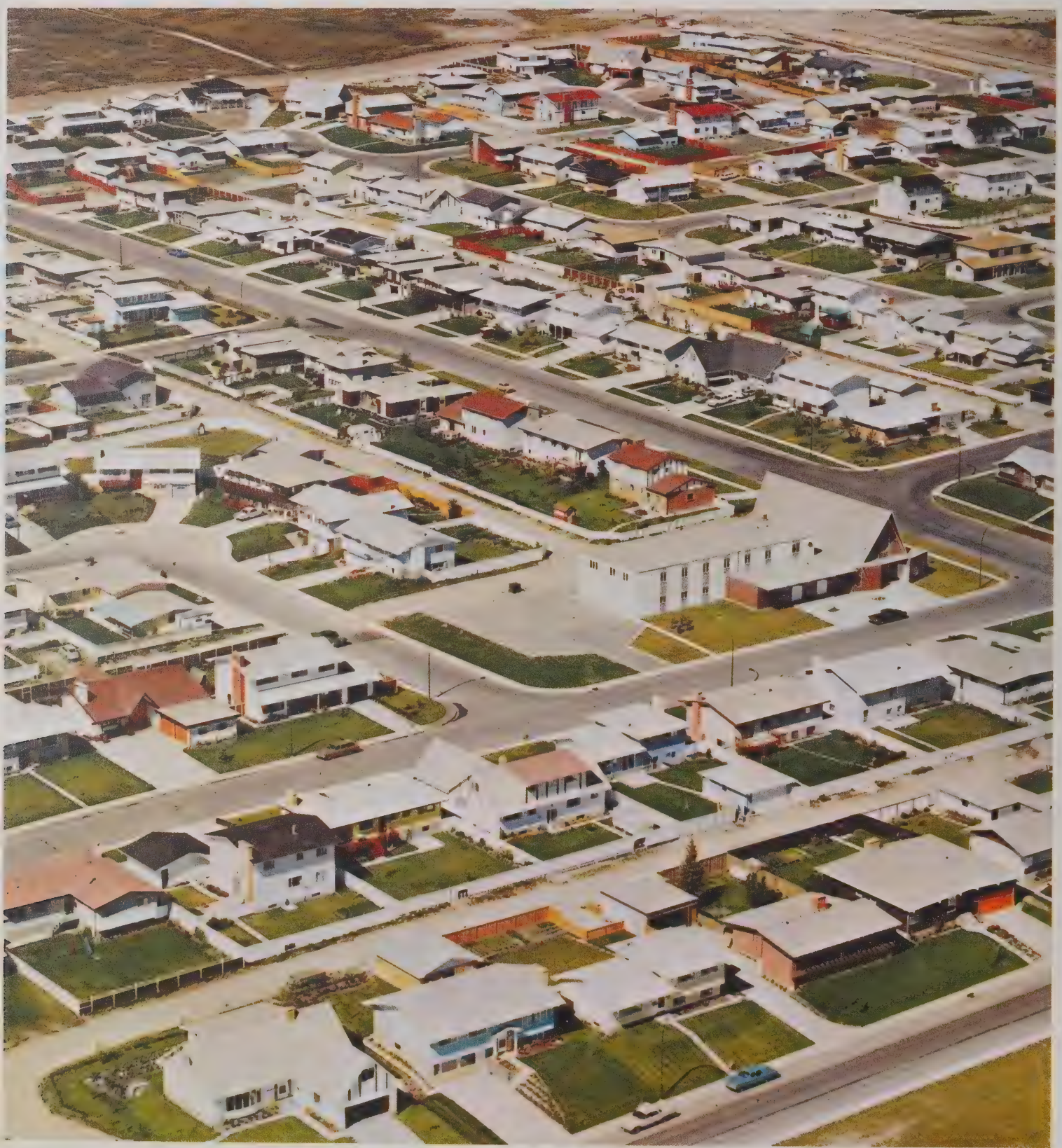
THE ROYAL TRUST COMPANY and its subsidiaries

Ten-Year Review (Dollars in Thousands)

	1959	1960
Companies' Own and Guaranteed Account Assets		
Cash, bank deposit receipts and treasury bills	$ 26,401	$ 34,611
Secured demand loans	32,420	29,474
Securities	90,649	113,002
Mortgages	18,749	28,525
Other Assets	4,712	4,950
	$172,931	$210,562
Guaranteed Investment Receipts, Savings and Debentures		
Guaranteed investment receipts	$149,603	$186,432
Savings (guaranteed account and subsidiary)		
Debentures and notes of subsidiaries		
	$149,603	$186,432
Minority Interest, Contingency Provisions and Liabilities		
Mortgage contingency provision	$ 96	$ 165
Preferred shares of mortgage subsidiary		
All other liabilities	7,543	7,697
	$ 7,639	$ 7,862
Capital, Reserve & Retained Earnings	$ 15,689	$16,268
Operating Income and Expenses		
Income — Fees and commissions	$ 8,927	$ 9,124
Income from investments	6,828	10,816
	$ 15,755	$ 19,940
Expenses — Interest paid	$ 4,897	$ 8,078
Salaries and other expenses	8,116	8,847
	$ 13,013	$ 16,925
Profit before income taxes	$ 2,742	$ 3,015
Less — Dividends to preferred shareholders of mortgage subsidiary	$	$
Income taxes	1,364	1,440
	$ 1,364	$ 1,440
Net operating profit	$ 1,378	$ 1,575
Average shares outstanding ($1.00 par value)	2,700,000	2,825,000
Operating profit per share	$0.51	$0.56
Dividends per share	$0.32	$0.34
Assets under administration (in Billions)		
Estimated value		

1961	1962	1963	1964	1965	1966	1967	**1968**
$ 22,033	$ 21,008	$ 19,952	$ 25,197	$ 28,512	$ 50,880	$ 94,916	**$ 96,579**
28,650	35,549	52,501	24,249	46,414	56,261	58,445	**82,877**
155,589	146,558	167,309	186,352	205,687	256,223	243,790	**380,530**
42,109	61,614	91,858	152,881	249,958	288,354	346,146	**510,395**
6,382	9,886	9,193	10,336	12,276	13,403	12,946	**15,781**
$254,763	$274,615	$340,813	$399,015	$542,847	$665,121	$756,243	**$1,086,162**
$220,236	$235,982	$291,644	$311,934	$403,656	$505,959	$560,090	**$ 789,473**
			14,103	20,988	33,171	49,855	**69,649**
7,000	14,589	23,875	42,803	78,125	83,589	97,967	**158,090**
$227,236	$250,571	$315,519	$368,840	$502,769	$622,719	$707,912	**$1,017,212**
$ 256	$ 389	$ 588	$ 955	$ 2,193	$ 3,618	$ 5,292	**$ 6,452**
			2,500	5,000	5,000	5,000	**5,001**
8,376	3,604	2,939	3,614	4,338	3,855	6,935	**10,547**
$ 8,632	$ 3,993	$ 3,527	$ 7,069	$ 11,531	$ 12,473	$ 17,227	**$ 22,000**
$ 18,895	$ 20,051	$ 21,767	$ 23,106	$ 28,547	$ 29,929	$ 31,104	**$ 46,950**
$ 10,244	$ 11,857	$ 13,157	$ 15,163	$ 16,789	$ 19,215	$ 20,847	**$ 23,072**
10,903	13,636	16,358	20,155	26,707	36,076	45,133	**59,563**
$ 21,147	$ 25,493	$ 29,515	$ 35,318	$ 43,496	$ 55,291	$ 65,980	**$ 82,635**
$ 7,844	$ 10,177	$ 12,702	$ 14,973	$ 19,708	$ 28,465	$ 35,822	**$ 48,889**
9,762	11,663	12,927	14,596	17,451	19,629	21,638	**23,186**
$ 17,606	$ 21,840	$ 25,629	$ 29,569	$ 37,159	$ 48,094	$ 57,460	**$ 72,075**
$ 3,541	$ 3,653	$ 3,886	$ 5,749	$ 6,337	$ 7,197	$ 8,520	**$ 10,560**
$	$	$	$	$ 146	$ 250	$ 250	**$ 250**
1,752	1,634	1,845	2,944	2,938	3,366	4,300	**5,636**
$ 1,752	$ 1,634	$ 1,845	$ 2,944	$ 3,084	$ 3,616	$ 4,550	**$ 5,886**
$ 1,789	$ 2,019	$ 2,041	$ 2,805	$ 3,253	$ 3,581	$ 3,970	**$ 4,674**
2,825,000	2,825,000	2,850,000	2,850,000	3,056,000	3,160,000	3,160,000	**3,292,000**
$0.63	$0.71	$0.72	$0.98	$1.06	$1.13	$1.26	**$1.42**
$0.36	$0.36	$0.43	$0.45	$0.50	$0.55	$0.63	**$0.75**
					$ 7.6	$ 8.3	**$ 8.9**

A major source of mortgage loans in Canada, Royal Trust lending in this vital field in 1968 totalled $130 million, or approximately $500,000 every business day. This total included loans for single dwellings, duplexes, apartments, commercial and industrial properties, shopping centres, and others, including religious, social and recreational facilities. Residential housing accounted for 66 per cent of the total, with loans being made from coast to coast.



Board of Directors

as of 26th February, 1969

*Jack Pembroke, C.B.E.
Chairman of the Board

*Conrad F. Harrington, C.D.
President and Chief Executive Officer

*William A. Arbuckle, C.A.
Vice-President
(President, Arbuckle Govett & Co. Ltd.)

Kenneth A. White, C.D.
Executive Vice-President

G. Drummond Birks
Vice-President, Henry Birks & Sons Ltd.

Donald N. Byers, Q.C., LL.D.
Partner - Byers, McDougall, Casgrain & Stewart
(Barristers and Solicitors)

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Henry Collingwood
President, Baine, Johnston & Co. Ltd.

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Chairman of the Board, National Sea Products Ltd.

James B. Cross
President, Territorial Hotels Ltd.

Percy M. Fox, D.C.L., D.Sc.F.
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C. Antoine Geoffrion, Q.C.
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(Barristers and Solicitors)

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British Newfoundland Corp. Ltd.

G. Blair Gordon
President, Blair & Co.

Harold Husband
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Frederick W. P. Jones
Professor, University of Western Ontario
School of Business Administration

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Hon. George C. Marler, P.C., LL.D.
Chairman of the Board, Lafarge Cement (Quebec) Ltd.

Jean Martineau, Q.C., LL.D.
Partner - Martineau, Walker, Allison, Beaulieu,
Tetley & Phelan (Barristers and Solicitors)

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Thomas H. P. Molson
Honorary Chairman, Molson Breweries Ltd.

*John L. O'Brien, Q.C.
Partner - O'Brien, Home, Hall, Nolan, Saunders,
O'Brien & Smyth (Barristers and Solicitors)

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Director, The Price Co. Ltd.

*H. Greville Smith, C.B.E.
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Trust Ltd.

Robert J. Wilson
Senior Vice-President, Ontario Region,
The Royal Trust Company

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Henry G. Birks

George W. Bourke, LL.D.

Ross Clarkson, D.C.L., LL.D.

Thomas W. Eadie, LL.D.

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B. C. Gardner, M.C., D.C.L., LL.D.

Joseph Harris, LL.D.

George W. Huggett

Richard G. Ivey, Q.C., LL.D.

R. E. Powell, LL.D.

H. E. Sellers, C.B.E., LL.D.

Jules R. Timmins, O.B.E., LL.D., D.Sc.

*Members of the Executive Committee.

Executive officers

Jack Pembroke, C.B.E.
Chairman of the Board

Conrad F. Harrington, C.D.
President and Chief Executive Officer

Kenneth A. White, C.D.
Executive Vice-President

J. F. Close, C.A.
Senior Vice-President
Financial

Maurice Forget
Senior Vice-President
Quebec Region

R. S. Whyte
Senior Vice-President
Western Region

R. J. Wilson
Senior Vice-President
Ontario Region

*Kellock Heming
Vice-President
Manager, Montreal Branch

G. B. Holt, T.D.
Vice-President
Chairman,
The Royal Trust Company of Canada,
London, Eng.

M. J. Pratt
Vice-President
Atlantic Provinces Region

J. W. R. Seatle
Vice-President
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Executive Assistant
to the President

F. N. Haden
General Supervisor
Organization Planning

V. G. Hobbes
General Supervisor
Investments
(Research Projects)

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General Supervisor
Employee Relations

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Comptroller

T. R. Lee, D.F.C.
General Supervisor
Public Relations

A. V. L. Mills
Secretary

A. Purdy
General Supervisor
Mortgages

J. M. Scholes
General Supervisor
Investments
(Institutional Funds)

L. S. Schurer
General Supervisor
Investments
(Personal Services)

G. Smallwood
General Supervisor
Employee Development

H. E. Trenholme
General Supervisor
Corporate and
Pension Trusts

E. A. Wickens, C.A.
General Supervisor
Guaranteed Account

*Died 11th February, 1969.

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Montreal

Alan G. Aldous
Saskatoon

J. W. Bayne
Victoria

Mackenzie F. Bell
London, Ont.

C. F. Bentley
Charlottetown

John A. Burleton
Lakehead

John H. Colbourne
St. John's, Nfld.

John W. Corbishley
Sault Ste. Marie

Charles C. de Léry
Quebec City

André Forest
Sherbrooke

A. B. D. Gillespie
Regina

J. A. Worsley
Toronto

H. H. Gratton
Hamilton

Hugh W. MacEwing
Edmonton

George Mitchell
St. Catharines

W. E. Mundell
Lethbridge

J. E. O'Brien
Ottawa

G. F. Publicover
Saint John, N.B.

C. F. Ranson
Halifax

Andrew B. Weir
Vancouver

D. Donald Ross, C.A.
Winnipeg

J. P. Rousseau
Trois-Rivières

F. A. Simpson
Kelowna

R. R. H. Sturgess
Calgary

D. S. N. Tuck
Kingston

W. L. Millman, Q.C. (2)
President and Managing Director
197 N. Front St., Sarnia, Ont.

Other Offices in Canada (Not including Real Estate Offices)

R. W. Bell (2)
Strathroy, Ont.

W. P. Bradley
Yonge & Eglinton, Toronto

D. C. Bockman (2)
Colborne St., Sarnia, Ont.

L. A. Carrière
Plaza St-Hubert, Montreal

E. A. Constantinidis
Humbertown Centre, Islington, Ont.

Irwin S. Fraser (2)
197 N. Front St., Sarnia, Ont.

G. A. Gélinas
Place Laurier, Ste-Foy, Que.

W. D. Gordon (1)
St. Thomas, Ont.

J. W. Hewitt
Westmount, Que.

J. C. Hunter (2)
Petrolia, Ont.

I. L. Isenor
Corner Brook, Nfld.

D. McGregor (2)
Assistant Manager
Forest, Ont.

H. T. Self
St. Clair & Yonge, Toronto

G. W. D. Zurbrigg (1)
Woodstock, Ont.

(1) Ontario Loan and Debenture
(2) Industrial Mortgage and Trust

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Chairman
and Managing Director,
The Royal Trust Company
of Canada,
London, England

S. F. Fermor, F.C.A.
Manager

G. W. P. Camble
Manager-Designate,
The Royal Trust Company
of Canada (C.I.) Limited,
St. Helier, Jersey, Channel Islands

J. B. Doyle
Managing Director,
The Royal Trust Company
(Ireland) Limited
Dublin, Ireland

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Sutton, Que.
Eastern Townships

Ray B. Howse
Labrador City, Nfld.

Kevin M. Joy
Gander, Nfld.

J. G. R. Lavoie
Arvida, Que.
Lac St-Jean Area

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Yarmouth, N.S.
Nova Scotia - North Shore

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St. Catharines, Ont.

Percy T. Palmer
Moncton, N.B.

Fred A. Simpson
Guelph, Ont.

Donald H. Taylor
Knowlton, Que.

Ivan S. Thacker
Peterborough, Ont.

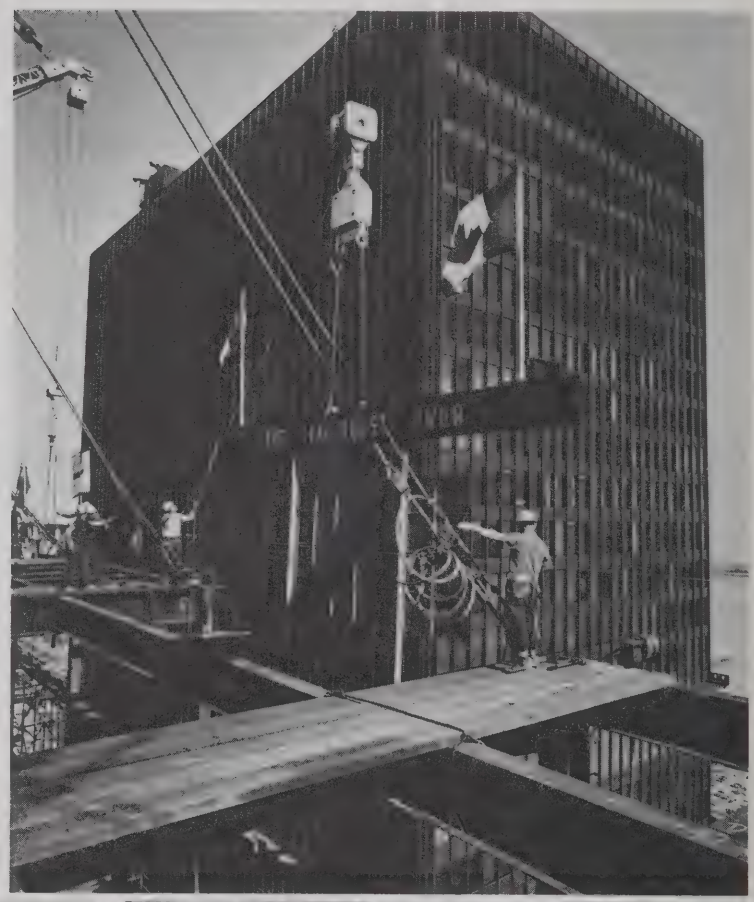
A. W. Underhill
Kitchener, Ont.

E. G. Wallbridge
Edmonton, Alta.

"That's me", the "star" of Royal Trust's new advertising series, Peter Steinbrecher, 7, tells Suzanne Bissonnette, receptionist, during a tour of Head Office.

In 1968, "Mr. Royal Trust", Ross Clarkson, Honorary Chairman of the Board, marked 60 years association with the Company. With Jack Pembroke, Chairman of the Board, looking on, he receives from the President, Mr. Harrington, a special set of diamond-inset cufflinks.

Three new Royal Trust Towers aggregating some 75 storeys were "topped off" during the year. Here the last beam is lowered into place in the Royal Trust Tower, Toronto, (46 storeys). The other new Royal Trust Towers are in St. John's, Nfld. (12) and Vancouver (17).



A new flag flew in Canadian skies in 1968 — The Royal Trust flag. As London staff and members of newly-merged Ontario Loan look on, it is raised over the former Ontario Loan Head Office, now London Branch, Royal Trust.

Advisory Board Members

Newfoundland

John H. Colbourne, Chairman
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Charles R. Bell
Henry Collingwood
Arthur R. Lundrigan
Albert Martin
James W. Parker
Bernard D. Parsons
Gordon A. Winter

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L. F. Daley, Q.C.
C. Wilmot Dean
George Mitchell
C. F. Ranson
Joseph Zatzman
F. Homer Zwicker

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J. M. Grant
E. B. Harley
Colin B. Mackay, D.C.L., LL.D.
P. W. Oland
G. F. Publicover
William G. Quinn
P. Streeter

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S. E. Brock, F.S.A.
Pierre Côté
J. D. Charles de Jocas
Georges Demers, B.A.Sc., C.E.
J. P. A. Gravel, Q.C.
Roger Létourneau, Q.C.
A. C. Price

Sherbrooke

André Forest, Chairman
Charles E. Bélanger, C.A., D.C.Sc.
Brigadier Jean P. Gautier, D.S.O., C.D.
H. A. Simons

Ottawa

F. W. Troop, Chairman
W. R. Creighton
Colonel J. D. Fraser, V.D., C.D.
David A. Golden
Gordon F. Henderson, Q.C.
Major-General H. F. G. Letson, C.B.
Allan T. Lewis, C.B.E., Q.C.
A. Barnet Maclaren
J. E. O'Brien
R. P. White, O.B.E., V.R.D.

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C.B.E., D.S.O., E.D., C.D., Q.C.
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Dr. G. W. Mylks

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Courtland Elliott, C.B.E.
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T. S. Johnston
John P. G. Kemp
J. W. McKee
F. A. Schulman
J. A. Worsley

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A. S. Notman
Dr. B. E. Sherk

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Kenneth J. Shea
John H. Stevens

Sault Ste-Marie

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Robert L. Curran
William M. Hogg
Douglas C. Joyce

Lakehead

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Robert J. Prettie

Winnipeg

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A. S. Leach
J. Derek Riley, C.A.
Stewart A. Searle, Jr.
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J. M. Rowand

Saskatoon

Alan G. Aldous, Chairman
D. L. Evans
J. H. Evans
G. Blair Nelson

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Albert T. Baker
D. E. Batchelor, LL.D.
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H. M. MacDougall
Ralph A. Thrall

Edmonton

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C. E. Garnett
Dr. Hu Harries
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A. John Ellis
Allan M. McGavin
Howard T. Mitchell
Hon. John L. Nichol
J. G. Prentice
E. F. Riddle, O.B.E.
J. H. Salter
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J. Bruce Smith
C. Reginald Tanner

Victoria

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E. W. Arnott
Harold B. Elworthy
Rear-Admiral J. C. Hibbard, D.S.C., C.D., R.C.N. (Ret'd)
Harold Husband
Hon. R. W. Mayhew, LL.D.
Hector C. Stone
H. A. Wallace
A. E. Walters

The Royal Trust Company of Canada London, England

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A. Sheldon C. Black
S. F. Fermor, F.C.A.
C. E. Foreman
C. F. Harrington, B.A., B.C.L.
G. H. E. Inchbald
A. H. Montgomery, O.B.E., T.D., F.C.A.
J. Pembroke, C.B.E.

The Royal Trust Company of Canada (C.I.) Limited, St. Helier, Jersey, Channel Islands

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G. W. P. Camble
S. F. Fermor, F.C.A.
Arthur Forster
C. F. Harrington, B.A., B.C.L.
G. B. Holt, T.D.
J. Pembroke, C.B.E.

The Royal Trust Company (Ireland) Limited Dublin, Ireland

Directors:
G. W. P. Camble
J. B. Doyle
C. F. Harrington, B.A., B.C.L.
G. B. Holt, T.D.
A. H. Montgomery, O.B.E., T.D., F.C.A.
G. A. C. Stirling
A. W. Warnock, F.C.A.
K. A. White

Services Royal Trust provides . . .

for the individual

Estate Planning

Executor and trustee under wills

Administrator or agent for the heirs in estates where there is no will

Agent or attorney for executors

Agent for the management of estates

Trustee under deeds of trust

Committee or curator to property

Manager of investments

Agent for the investment of money and collection of dividends, interest, rent, and the principal of mortgages, bonds and stocks

Managed Investment Funds (A, B, C and M)

Agent to buy, sell, and manage real estate

Mortgage loans

Custodian of securities

Depositary for medium and short term money against Guaranteed Investment Receipts

Savings Accounts

Savings Deposit Certificates

Agent for preparation of Income tax returns

Registered retirement savings plans (guaranteed)

Standing-by attorney

for corporations, firms and other organizations

Transfer agent and registrar for shares

Paying agent for dividends and bond interest

Subscription and rights agent

Depositary and escrow agent

Trustee for bondholders and registrar for bonds

Depositary for medium and short term money against Guaranteed Investment Receipts

Trustee and custodian for pension and other employee benefit plans

Trustee for buy-sell agreements under business insurance trusts

Management and custodianship of securities

Custodian and trustee for non-resident insurance companies

Agent for real estate, mortgages and lease-back agreements

Property management

Management of endowment funds, collection of pledges, etc., for charitable, religious, educational and similar bodies

General financial agent and all related services

Offices

Head Office:
Montreal,
630 Dorchester Blvd. W.

Regional Offices

ATLANTIC PROVINCES REGION Halifax, 1648 Hollis Street	St. John's, Nfld.	The Royal Trust Building, 139 Water Street
	Corner Brook	Millbrook Shopping Centre
	Halifax	Centennial Building, 1648 Hollis Street
		Holiday Inn, Dartmouth*
	Charlottetown	Dominion Building
	Saint John, N.B.	Brunswick House, One King Street
QUEBEC REGION Montreal, 630 Dorchester Blvd. W.	Quebec	65 Ste. Anne Street
		Place Laurier
	Trois-Rivières	154 Radisson Street
	Sherbrooke	25 Wellington St. North
	Montreal	630 Dorchester Blvd. West
		4145 Sherbrooke Street W.
		6991 St. Hubert Street
		Beaconsfield Shopping Centre, Beaconsfield*
		19E. Commercial Centre, Roxboro*
		147 Kindersley Avenue, Town of Mount Royal*
		Fairview Shopping Centre, Pointe Claire*
		4999 St. Catherine Street W.*
		1 Place Longueuil*
		Knowlton, Quebec*
ONTARIO REGION Toronto, 120 Adelaide Street W.	Ottawa	76 Metcalfe Street
	Kingston	74 Brock Street
	St. Catharines	4 Queen Street
	Toronto	66-68 King Street West
		2247 Yonge Street
		32 Humbertown Centre, Islington
		81 St. Clair Ave. East
		48 Yonge Street*
		227 Eglinton Ave. West*
		1125 Dundas St. East, Cooksville*
		119 Adelaide St. W. (Corporate Trust)
	Hamilton	Terminal Towers, 105 Main Street East
		130 King Street East
	Kitchener	Walper Hotel, 1 King St. W.
	St. Thomas	525 Talbot Street
	Woodstock	453 Dundas Street
	London, Ont.	137 Dundas Street
		289 Dundas Street
	Strathroy	72 Frank Street
	Forest	161–165 King Street
	Petrolia	4186 Petrolia Street
	Sarnia	197 N. Front Street
		1365 Colborne Road
	Sault Ste. Marie	350 Queen Street East
	Lakehead (Port Arthur, Ont.)	202 Arthur Street
WESTERN REGION Vancouver, 626 West Pender Street	Winnipeg	287 Broadway
	Saskatoon	115 - 2nd Avenue North
	Regina	101 McCallum Hill Building
	Edmonton	10039 Jasper Avenue
	Calgary	600 - 7th Avenue S. W.
		627 - 6th Avenue S.W.*
	Lethbridge	323 - 7th Street South
	Kelowna	248 Bernard Avenue
	Vancouver	626 West Pender Street
	Victoria	1205 Government Street
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	St. Helier, Jersey, C.I.	33 Hill Street
	Dublin, Ireland	113 Grafton Street

*Real Estate Offices

Royal Trust

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